AN ACT

RELATING TO MUNICIPALITIES; AMENDING DISTRIBUTIONS FROM THE SMALL CITIES ASSISTANCE FUND; INCREASING MINIMUM AND MAXIMUM DISTRIBUTIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 3-37A-2 NMSA 1978 (being Laws 1979, Chapter 284, Section 2, as amended by Laws 1983, Chapter 205, Section 1 and also by Laws 1983, Chapter 214, Section 1) is amended to read:

"3-37A-2. DEFINITIONS.--As used in the Small Cities Assistance Act:

A. "municipality" means any incorporated city, town or village, whether incorporated under general act, special act or special charter, and incorporated counties and H-class counties;

B. "municipal share" means one and thirty-five one-hundredths percent of the taxable gross receipts as defined in the Gross Receipts and Compensating Tax Act reported annually for each municipality to the taxation and revenue department during a twelve-month period ending June 30;

C. "total municipal share" means the sum of all municipal shares;

D. "statewide per capita average" means the quotient of the total municipal share divided by the total statewide municipal population;

E. "municipal per capita average" means the quotient of the municipal share divided by the municipality's population;

F. "population" means the most recent official census or estimate determined by the bureau of the census or, if neither is available, "population" means an estimate as determined by the local government division of the department of finance and administration;

G. "local tax effort" means the amount produced by a one-fourth of one percent municipal gross receipts tax in the previous fiscal year;

H. "qualifying municipality" means a municipality with a population of less than ten thousand that has enacted on or before the last day of the preceding fiscal year an ordinance or ordinances imposing a municipal gross receipts tax pursuant to Section 7-19D-9 NMSA 1978 at a rate of onefourth of one percent or more; and

I. "enacted" means adopted by a majority of the members of the governing body of the municipality pursuant to Section 7-19D-9 NMSA 1978 and:

(1) for which no election has been calledin the manner and within the time provided by Section 7-19D-9 NMSA 1978; or

(2) which has been approved by a majority of the registered voters voting on the question pursuant to Section 7-19D-9 NMSA 1978."

Section 2. Section 3-37A-3 NMSA 1978 (being Laws 1979, Chapter 284, Section 3, as amended) is amended to read:

"3-37A-3. SMALL CITIES ASSISTANCE FUND--DISTRIBUTION.-

A. The "small cities assistance fund" is created within the state treasury.

B. On January 31 of each year, the local

government division of the department of finance and administration shall certify to the taxation and revenue department the population of each municipality in the state.

C. On or before June 10 of each year, the taxation and revenue department shall compute the distribution share of each qualifying municipality. The distribution share shall be an amount equal to the product of the qualifying municipality's population multiplied by the difference between the statewide per capita average and the municipal per capita average less the local tax effort of the qualifying municipality; provided that the distribution share shall not exceed fifty thousand dollars (\$50,000) if the qualifying municipality has a population of five thousand or less and thirty-five thousand dollars (\$35,000) if the qualifying municipality has a population of more than five thousand but less than ten thousand; and provided that for any municipality with a population of less than ten thousand which does not qualify for a distribution or which qualifies for a distribution of less than the minimum amount, the distribution share shall be the minimum amount; and provided further that if the balance in the small cities assistance fund on the preceding May 30 is less than the sum of the distribution shares calculated pursuant to Subsection C of this section, the taxation and revenue department shall reduce the distribution share of each municipality whose distribution share is in excess of the minimum amount in an amount calculated according to the following formula:

municipal distribution share in excess
of the minimum amount X

fund

sum of municipal distribution shares in excess of the minimum amount

so long as no municipality's distribution share is reduced below the minimum amount, and until each municipality's distribution share is reduced to the minimum amount, if necessary; and provided further that if the sum of the distribution shares when each share is reduced to the minimum amount is still in excess of the balance in the small cities assistance fund on the preceding May 30, the taxation and revenue department shall reduce each municipality's minimum amount distribution share by a percentage equal to a percentage computed by dividing the amount by which the fund is insufficient by the sum of all the distribution shares. The taxation and revenue department shall certify the amount of the distribution shares to the state treasurer.

D. The state treasurer shall distribute from the small cities assistance fund on or before June 15 of each year to each qualifying municipality the amount certified by the taxation and revenue department for each qualifying municipality for the period ending May 30 of the preceding year.

E. Immediately after distribution to municipalities from the small cities assistance fund but no later than June 30 of each year, the unexpended or unencumbered balance in the small cities assistance fund remaining after the distribution to the qualifying municipalities shall revert to the general fund.

F. Funds distributed under this section shall be

placed in the general fund of the qualifying municipalities receiving distributions.

G. As used in this section, "minimum amount" means:

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(1) for a municipality with a population of five thousand or less, thirty thousand dollars (\$30,000);and

(2) for a municipality with a population of more than five thousand but less than ten thousand, twentyfive thousand dollars (\$25,000)."

Section 3. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 1999.

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